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California State Assembly ♦ 40th Assembly
District

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AB 1329 – Gasoline and Diesel Regulation

Background

California's gasoline and diesel prices are consistently higher than the national average.

As is pointed out in the August, 2003, staff report for the Assembly Select Committee on Gasoline Competition, Marketing and Pricing, there are only 7 oil companies controlling 96% of the gasoline sold in California. The result of various mergers and closures of small, independent producers, this consolidation of the market has left Californians hostage to unreasonably high gasoline prices without viable alternatives.

AB 1329 will provide stability to our volatile market by:

- allowing the CPUC encourage gasoline and diesel conservation programs
- allowing the CPUC to regulate this industry at the procurement, distribution and sales level, as they do with energy and natural gas.
- permitting the creation of municipal districts for the purpose of procuring fuel. This will expand the market away from large conglomerates which currently control prices to such an extent that small "mom and pop" operations alone are unable to create a competitive pricing scheme.

Arguments in support

With prices having skyrocketed in the last couple of years, it is time for California to regulate the fuel industry. The unique requirements for California fuel and the fact that California is a large producer of gasoline and diesel make it logical for the state to take a more direct role in regulating that industry.

Together, these proposals will authorize municipalization of the gasoline/diesel market in this state, enabling the pooled, collective buying power of the state and local governments to drive down the high prices of motor-vehicle fuel in California.

Facts

- In the first part of 2004, gasoline prices in California were about 20 to 30 cents higher than the national average.
- As of January 1, 2004, 7 refineries controlled almost 99% of refining capacity and accounted for approximately 90% of gasoline consumed in California.
- A March, 2004, report by the California Attorney General found that oil company margins (costs plus profit) in California continue to far surpass the national average, with the margins in California having jumped dramatically in the first 3 months of 2004.
- On May 17, 2004, the retail price for regular grade gasoline in California increased to \$2.27 per gallon, up from \$1.62 at the beginning of the year.

